

## Message Text

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ORIGIN INR-10

INFO OCT-01 AF-10 EUR-12 NEA-10 ISO-00 SSM-03 SS-15  
NSC-05 CIAE-00 NSAE-00 AID-05 DODE-00 /071 R

DRAFTED BY INR/RNA/NE: A A VACCARO:DLM  
APPROVED BY INR/RNA: P H STODDARD  
SSM: C W KONTOS  
DESIRED DISTRIBUTION  
SSM

-----012153 240711Z /10

P 232350Z FEB 78  
FM SECSTATE WASHDC  
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INFO AMEMBASSY ABU DHABI PRIORITY  
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TAGS:EG, IS, PINR

SUBJECT: INTSUM 507 - FEBRUARY 23, 1978

LONDON FOR KINSOLVING  
PARIS FOR NICHOLAS MURPHY  
OTHER ADDRESSEES FOR CHIEFS OF MISSION

1. EGYPT. SADAT'S DIPLOMATIC BREAK WITH CYPRUS YESTERDAY IS A DIRECT REFLECTION OF HIS EXTREME BITTERNESS ABOUT THE LARNACA INCIDENT. SADAT HOLDS CYPRIOT PRESIDENT KYPRIANOU PERSONALLY RESPONSIBLE, REGARDS HIM AS GUILTY OF "TREACHERY," AND WARNS THAT KYPRIANOU CANNOT NOW EXPECT EGYPTIAN SUPPORT AGAINST THE TURKS TO CONTINUE. HE HAS DECLARED, MOREOVER, THAT THE "CYPRIOTS WILL PAY FOR THIS."

2. THE EGYPTIANS ARE LIKELY TO BE EVEN ANGRIER ABOUT ATTEMPTS BY NICOSIA TO PUT ALL THE BLAME ON EGYPT. IN ADDITION, PUBLIC DISCLOSURE THAT THE CYPRIOTS HAD FLOWN PALESTINIAN COMMANDOS TO CYPRUS TO STORM THE AIRCRAFT WHILE REFUSING A SIMILAR EGYPTIAN REQUEST WILL INCREASE EGYPTIAN IRE. POPULAR FEELINGS IN EGYPT ARE RUNNING VERY HIGH.

3. OUTSIDE OF EGYPT, MEANWHILE, THE EGYPTIAN IMAGE HAS BEEN TARNISHED. ON FEBRUARY 18, OPINION STOOD WITH EGYPT AGAINST THE MURDERERS OF AL-SIBAI, BUT BY THE NEXT MORNING, ITS HANDLING OF THE AFFAIR WAS BEING WIDELY CRITICIZED AND RIDICULED. IN THE ARAB WORLD, FRIEND AND FOE ALIKE HAVE DEALT HARSHLY WITH EGYPT AND SADAT. NEWSPAPERS HAVE MADE INVIDIOUS COMPARISONS BETWEEN THE LARNACA OPERATION AND ISRAEL'S ENTEBBE RAID. IN BEIRUT, SECRET

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THE USUALLY MODERATE ENGLISH-LANGUAGE NEWSPAPER IKE, FOR EXAMPLE, DECLARED THAT THE EGYPTIAN ACTION WAS THE PRODUCT OF THE SAME IMPETUOUS STATESMANSHIP THAT "GAVE BIRTH TO MR. SADAT'S PEACE INITIATIVE, AND THE CONSEQUENCES OF THIS RASH ACTION ARE NOT LIKELY TO BE ANY BETTER."

4. PLO-EGYPTIAN RELATIONS, PARTICULARLY, ARE LIKELY TO SUFFER CONSIDERABLY AS A RESULT OF THE PLO ROLE IN THE LARNACA INCIDENT. THROUGHOUT THE FREEZE BETWEEN EGYPT AND THE PLO WHICH FOLLOWED SADAT'S VISIT TO JERUSALEM, BOTH SIDES HAD ATTEMPTED TO KEEP LINES OF COMMUNICATIONS OPEN. ONE RECENT EXAMPLE OF A THAW OF SORTS WAS THE RETURN TO CAIRO OF THE CHIEF PLO REPRESENTATIVE, WHO PREVIOUSLY HAD BEEN EXPELLED.

5. ALLEGED PLO COOPERATION WITH THE CYPRUS NATIONAL GUARD (CNG) IN THE ATTACK ON THE EGYPTIAN COMMANDOS PROBABLY WILL REVERSE THIS TREND, SINCE THE EGYPTIANS WILL BELIEVE THE WORST ABOUT PLO INVOLVEMENT IN AL-SIBAI'S DEATH AND THE LARNACA INCIDENT. BOTH CYPRIOT AND PALESTINIAN SPOKESMEN HAVE DENIED THAT THE PLO PARTICIPATED IN THE SHOOTOUT. PALESTINIAN SOURCES IN BEIRUT (DESPITE

DENIALS FROM NICOSIA) CONFIRMED PUBLICLY THAT A STRIKE FORCE OF PALESTINIAN COMMANDOS FLEW TO CYPRUS FROM BEIRUT INTENDING TO STORM THE AIRCRAFT. THESE SOURCES CLAIMED, HOWEVER, THAT THE PALESTINIANS RETURNED TO BEIRUT A FEW HOURS BEFORE THE TERRORISTS CAME BACK TO CYPRUS FROM DJIBOUTI. EMBASSY NICOSIA QUESTIONS THIS DISCLAIMER BECAUSE ONE EMBASSY OFFICER OBSERVED ARMED MEN IN CIVILIAN CLOTHES WHO SPOKE ARABIC MOVING WITH CNG TROOPS BETWEEN THE TERMINAL AND ADJACENT ADMINISTRATIVE BUILDINGS. POLICE SOURCES TOLD THE EMBASSY OFFICER THAT THE INDIVIDUALS WERE "PLO" AND HAD "ASSISTED" THE CNG. (SECRET)

6. ISRAEL. THE CABINET CONTINUES TO TRY TO RESOLVE ITS  
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POLICY DIFFERENCES ON FUTURE SETTLEMENTS IN OCCUPIED AREAS, BUT IT MAY BE UNABLE TO REACH AN AGREED POSITION WHEN THE CABINET ADDRESSES THE SETTLEMENTS QUESTION AGAIN

THIS WEEKEND. EMBASSY TEL AVIV BELIEVES THAT EVEN IF A POLICY DECISION IS MADE, IT WILL NOT BE MADE PUBLIC. WHETHER PRIME MINISTER BEGIN DECIDES IN FAVOR OF PROCEEDING WITH SETTLEMENT ACTIVITY, A GENERAL STANDSTILL, OR SOME MIDDLE COURSE, THE DISSENSION THAT EMERGED DURING LAST MONDAY'S SPECIAL SESSION OF THE CABINET IS LIKELY TO CONTINUE TO BEDEVIL HIM.

7. THIS WEEK'S FIRST OF TWO SPECIAL CABINET DEBATES ON SETTLEMENT POLICY--THE SECOND WILL BE ON SUNDAY--HAS BROUGHT THESE DIVISIONS MORE SHARPLY INTO FOCUS. DEFENSE MINISTER WEIZMAN HAS EMERGED AS THE CHIEF SPOKESMAN FOR A MORE FLEXIBLE APPROACH TO NEGOTIATIONS, WITH AGRICULTURE MINISTER SHARON THE LEADER OF HARD-LINERS IN THE CABINET ON THE SETTLEMENTS QUESTION.

8. WEIZMAN, THE LEADERS OF THE DEMOCRATIC MOVEMENT FOR CHANGE, AND THE LIBERAL FACTION OF LIKUD CLEARLY FAVOR A FREEZE ON SETTLEMENT ACTIVITY PENDING THE OUTCOME OF NEGOTIATIONS WITH EGYPT. IN PRESSING FOR A MORATORIUM, THEY HOPE TO IMPROVE THE ATMOSPHERE FOR TALKS WITH THE EGYPTIANS AND UNDO SOME OF THE DAMAGE THAT HAS BEEN DONE TO ISRAEL'S IMAGE ABROAD, ESPECIALLY IN THE US.

9. SHARON, NATIONAL RELIGIOUS PARTY LEADER HAMMER, AND HAWKS IN THE LAAM FACTION OF LIKUD, ON THE OTHER HAND, WANT TO ACCELERATE THE SETTLEMENT PROCESS IN THE SINAI AND ON THE WEST BANK AS A HEDGE AGAINST ANY SOFTENING  
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IN THE GOVERNMENT'S NEGOTIATING POSITION. FOREIGN MINISTER DAYAN IS PROBABLY CLOSER TO SHARON THAN TO WEIZMAN ON THIS ISSUE.

10. BEGIN, WHOSE VIEWS WILL BE DECISIVE, THUS FACES SHARPLY DIVERGENT PRESSURES. IF HE ORDERS A STANDSTILL, SHARON COULD THREATEN TO BOLT THE CABINET, AN ACTION THAT COULD SPLIT BEGIN'S SUPPORTERS ON THE RIGHT. BUT IF BEGIN SUPPORTS A RESUMPTION OF SETTLEMENT ACTIVITY, IT WILL COMPLICATE HIS RELATIONS WITH COALITION MODERATES. WEIZMAN AND THE LIBERALS, WHILE UNHAPPY, WOULD NOT OPPOSE BEGIN OPENLY, BUT DMC LEADERS WOULD BE UNDER STRONG PRESSURE FROM DOVES IN THEIR OWN PARTY TO CHALLENGE THE GOVERNMENT AND EVEN DROP OUT OF THE COALITION.

11. BEGIN CAN HARDLY BE UNAWARE THAT HIS GOVERNMENT'S CLUMSY HANDLING OF THE SETTLEMENTS ISSUE HAS ALREADY SERIOUSLY COMPLICATED PEACE TALKS AND HURT HIS OWN

CREDIBILITY AT HOME AND ABROAD. THUS FAR, THE PRIME MINISTER HAS RESERVED HIS POSITION, ALTHOUGH THERE HAVE BEEN ISRAELI PRESS REPORTS THAT HE MAY BE LEANING TOWARD SUPPORTING A TEMPORARY FREEZE ON NEW SETTLEMENT ACTIVITY FOR TACTICAL REASONS. TO AVOID THE APPEARANCE OF GIVING IN TO OUTSIDE PRESSURE AND TO MOLLIFY SHARON, HOWEVER, BEGIN MAY TRY TO BUY TIME BY SIMPLY EXTENDING THE PRESENT SUSPENSION ON SETTLEMENT ACTIVITY IN THE SINAI AT LEAST UNTIL AFTER HIS MEETING WITH PRESIDENT CARTER IN MID-MARCH. BEGIN MAY ALLOW COMPLETION OF SETTLEMENT ACTIVITY ALREADY UNDER WAY ON THE WEST BANK. (CONFIDENTIAL) VANCE

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## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014